



T · E · A

Tea Exporters Association
Sri Lanka

NEWSLETTER

4Q 2019



SRI LANKA TEA PRODUCTION - JANUARY TO NOVEMBER 2019

Sri Lanka Tea Production for the month of November 2019 totalled 23.9 million kg, showing a decrease of 0.9 million kg vis-à-vis 24.8 million kg of November 2018. High Grown teas have shown a fairly significant growth YOY followed by Mediums, whilst Low Grown teas show a decline as against November 2018.

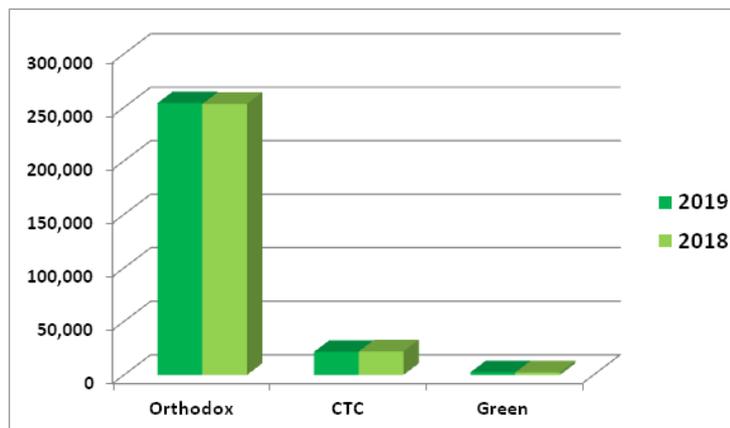
The January-November cumulative production for 2019 of 278.1 million kg, however shows a marginal gain of 0.5 million kg against the volume of 277.6 million kg of January-November 2018. On a cumulative basis, Medium Grown teas have shown a growth, whilst Low Grown teas have remained static. High Grown teas, however, show a decrease compared to January-November 2018.

The January-November 2019 cumulative CTC production totalled 21.6 million kg, showing a marginal decrease of 0.3 million kg when compared to 21.9 million kg of January-November 2018. On a cumulative basis, all elevations have shown a negative growth YOY.

The summary of category wise tea production for the January - November 2019 period with comparative figures of last year is appended below. (In MT)

Category	2019	2018	Variance
Orthodox	254,065	253,319	746
CTC	21,607	21,942	(335)
Green	2,506	2,376	130
Total	278,178	277,637	541

(SLTB)



World Tea Crop

The tea crop figures of some leading tea producing countries for the period of January to October / November 2019 are furnished below (in million Kg).

Country	Period	2019	2018	Variance
Bangladesh	January to November	89.6	75.9	13.7
North India	January to November	1,121.7	1,078.0	43.7
South India	January to November	200.9	205.1	(4.2)
Malawi	January to October	42.0	42.8	(0.8)
Kenya	January to October	363.10	395.52	(32.42)

(FW Tea Report)



SRI LANKA TEA EXPORTS - JANUARY TO NOVEMBER 2019

Tea exports for November 2019 totalled 21.9 million kg showing a marginal gain of 0.6 million kg vis-à-vis 21.3 million kg of November 2018. Tea in packets has shown a growth YOY, whilst bulk tea has remained static while tea bags have shown a decline compared to November 2018.

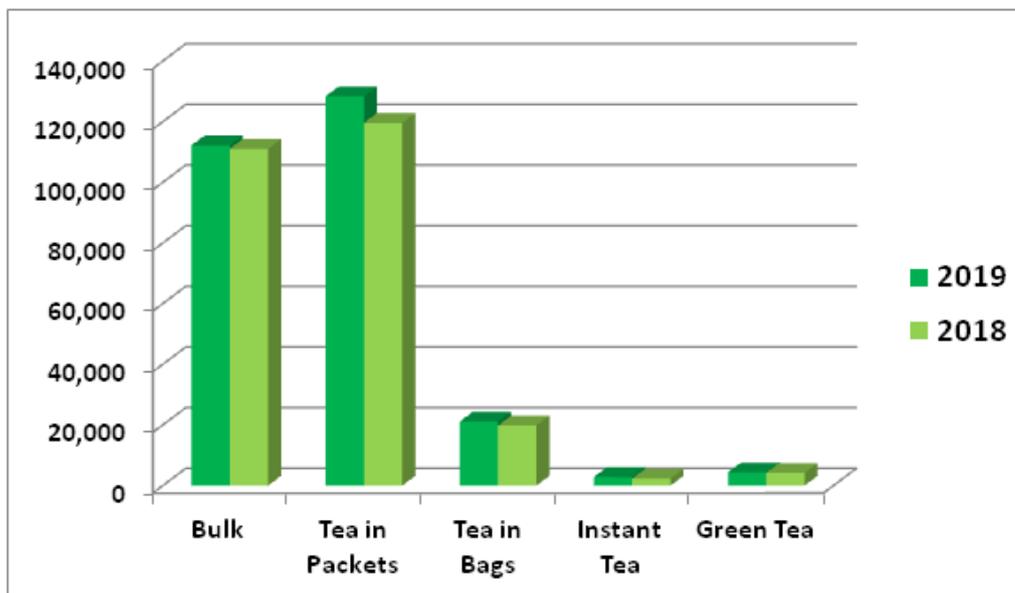
The January-November 2019 cumulative exports totalled 268.9 million kg, showing a gain of 11.9 million kg when compared with the volume of 257.01 million kg of January-November 2018. All categories of exports (i.e. packeted tea, tea bags and bulk tea) have shown a growth YOY. Revenue too, for the period January-November 2019 of Rs. 221.4 billion have recorded a gain of Rs. 10.8 billion vis-à-vis Rs. 210.6 billion of January-November 2018. Consequently, the FOB value of Rs. 823.51 per kg for January-November 2019 gained Rs. 3.83 vis-à-vis Rs. 819.68 per kg of January-November 2018.

Turkey has secured the No. 1 position as the largest importer of Sri Lankan Tea for the period under review, followed by Iraq and Russia. Other noteworthy importers are Iran, Libya, China, Azerbaijan, Syria and UAE. Meanwhile, destinations such as USA, Germany, India and Saudi Arabia have shown a significant growth in 2019 compared to the corresponding period of 2018.

The relevant export figures for first eleven months of 2018 and 2019 are appended below (In MT).

Category	2019	2018	Variance
Bulk	112,211	111,080	1131
Tea in Packets	128,389	119,602	8787
Tea in Bags	21,111	19,814	1297
Instant Tea	2,840	2,305	535
Green Tea	4,370	4,213	157
Total	268,921	257,014	11,907

(SL Customs)



TEA Seminar 2020

"Inventing New Horizons for Ceylon Tea" is the theme of the TEA seminar planned for 30th January 2020 at Sri Lanka Foundation.



The contents and resource persons of the Seminar:

Creating Blue Oceans for Sri Lanka Tea Industry
- Dr. Ravi Fernando -

Scope for Value Addition – US\$ 4 Billion in Five Years
- Reality or Hype - Dr. Chandra Embuldeniya –

Building Resilience through Strategic approach for
Competitive Advantage for Sri Lanka Tea Industry
- Dr. Udaya Indraratne -

Registration will be on first come first serve basis and will close on 24th January 2020.

Ruble /Dollar firm in 1Q 2020

The dollar's exchange rate will stand at 62-64 rubles per dollar in the first half of 2020, experts polled by TASS suggest. However, in the second half of 2020 the Russian currency may weaken to 66-70 rubles.

Most analysts expect the dollar's exchange rate to be in the range of 62-64 rubles by the middle of 2020. They warn though that the prospects of the second half of the year look weaker for the ruble than those of the first half as the national currency may drop to 66-70 rubles per dollar by the end of 2020 amid the global economic environment.

Currently the ruble is quite comfortable within the range of 62 - 63 rubles per dollar thanks to favorable environment on global financial and commodity markets, the expert said, adding that if the current trends on global stock markets persist in the first quarter of next year the Russian currency can reach the level of 61 rubles.

Analysts at Rosbank expect the dollar's exchange rate at around 63 rubles in the first quarter of 2020, which they suggest will be backed by a decrease in capital outflow from the country - from \$35 billion in 2019 to \$20 billion in 2020 projected by the Central Bank. Moreover, the easing of the regulator's monetary policy and improvement of the geopolitical background will strengthen the currency as well, they noted.

"The ruble's exchange rate has behaved approximately as other emerging currencies since the beginning of 2017 when the fiscal rule was enforced. It is affected by approximately the same factors, including external news background, which means news connected with sanctions, inflation risks, which trigger serious changes in the Central Bank's key rate and investors' expectations concerning debt instruments' yields, as well as macroeconomic risks. On all those dimensions the conditions for the ruble remain favorable in 2020," he explained.



Experts interviewed by TASS pointed out several constraining factors for the currency, which mainly are connected with the international background. Among them are the states of the global economy, long-term oil outlook changes, Russia's relations with other countries, including sanctions-related issues. The negative influence of those factors on the country's economy will emerge primarily in the second half of next year, they suggest.

Particularly, Alfa-Bank believes that the ruble will weaken to 65-70 rubles per dollar in the second half of the year due to the US presidential election. "The market will be oversensitive to the US electoral agenda in the second half of the year as the relations with Russia, the risks of more sanctions, the prospects of the Russian markets overall all depend on whether the current US president will be reelected".

Meanwhile, Rosbank is concerned about the downgrade of the Brent crude oil outlook for 2020 to \$55-60 per barrel by analysts of SG Securities due to potential consequences for the current account surplus, which can also go down to \$67 billion in 2020 from \$75 billion in 2019. "The ruble can take the brunt in a situation like that adjusting to 66.5 rubles per the US dollar by the end of Q4 2020," they explained.

(TASS News Agency)

Bubble Tea Market

The world bubble tea market which was valued at USD 1.90 billion in 2018 is projected to grow up to USD 3.50 billion by the end of 2026 registering a CAGR of about 80% per year. The bubble tea has gained popularity in the recent years across the world especially in South East. The major ingredient in bubble tea is tapioca pearls that are added to tea, which is also a flavor addition. It is low fat in nature and has low calorie content. A bubble tea market is expected to grow owing to various health benefits associated with the product. The black tea based bubble tea has the biggest share followed by green tea and Oolong tea.

(Fortune Business)

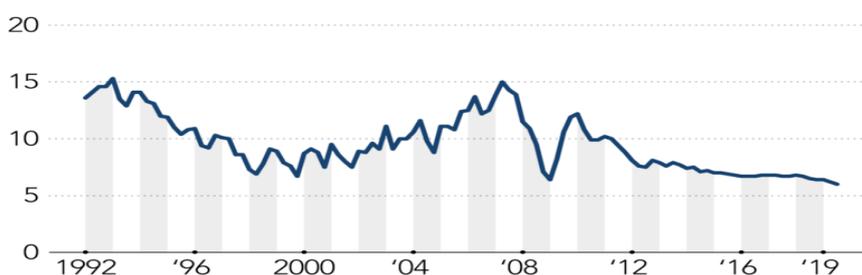


China economic growth to be 6% in 2020

A growing number of forecasts for Chinese economic growth next year are upbeat after Beijing reached a phase one trade deal with Washington recently; though some analysts say domestic headwinds will continue to weigh on the economy. The International Monetary Fund (IMF) is the latest to voice optimism about growth prospects, saying the bilateral agreement that will halt the introduction of new tariffs and lower some already in place could boost expansion to about 6 per cent next year, up from its October projection of 5.8 per cent.

The Oxford Economics also raised its growth forecast for 2020 to 6 per cent from 5.7 per cent, following the trade deal and signs of stabilization in Chinese industry. "We expect the government will set an official growth target of 'about 6 per cent' and we don't expect a significant policy easing in 2020," its head of Asia economics said.

Morgan Stanley also cited November's surprise rebound in industrial production and infrastructure capital expenditure as good news for growth prospects. "With the announcement of a trade deal, we now have greater conviction that the Chinese economy is on a mini-cycle recovery path in 2020," the American multinational bank said in a note. China's growth slumped to 6 per cent in the third quarter of 2019, its lowest pace in nearly three decades, and a number of private sector analysts are still skeptical about the outlook for the world's second largest economy.



Neil Shearing, chief economist of London-based Capital Economics, said that domestic headwinds will continue to weigh on growth next year, causing it to slow further.

“The trade war is likely to move to a new phase over the course of next year, in which the focus shifts away from tariffs and towards a broader set of issues like technology, industrial policy and security. US-China decoupling will nonetheless continue,” Shearing said.

Beijing is determined to double gross domestic product and per capita income next year from a decade earlier as part of a pledge to create a well-off society. The government is widely expected to set a 2020 growth target of “around 6 per cent”, while authorizing a larger fiscal deficit and higher local government special purpose bond issuance to fund infrastructure investment and support growth.

At the insistence of the United States and Europe, Beijing has increased access to its financial markets this year, allowing Wall Street banks and brokerages to take control of their Chinese joint ventures and expand the scope of their business. Foreign carmakers will also be able to seize control of Chinese joint ventures from next year.

However, Washington’s demand for substantial “structural reform”, including scaling back subsidies given to state-owned enterprises and state-led industrial policies that give preference to domestic firms over foreign companies, has not been fully addressed.

(IMF)

Indian tea exports to Iran hit 50 MKG

Iran has imported a record 50.4 million kg of tea from India during January-November 2019, at a high unit price of USD 3.91 (Rs 280) a kilo, against 27.41 million kg recorded in the same period in 2018. The Tea Board figure says, in value terms, the tea export to Iran has doubled from the year-ago period, at USD 197.4 million (Rs 1,415 crore), making it the top importer of Indian tea beating the CIS countries (led by Russian Federation) for the first time.

“India has Rupee-Rial mechanism (USD converted to Rial to INR) through which certain exports like tea, rice, etc are covered for repatriation. A portion of US dollar is kept for barter trading of tea. This system will continue till equivalent oil money is there,” explained Indian Tea Association.



ITA secretary reminded that India seldom lost its momentum in the Middle East despite continuous sanctions and unrest in the last 10 to 15 years. “Present sanction would present some difficulties, but tea exports will go on. From 14mkg in 2013, Iran’s intake has increased to 31mkg in 2018,” he said. Experts believe, tea will always find its way into Iran as it is the only beverage consumed heavily in the country. The orthodox tea exporters have been setting their sights on Iran in a big way owing to its high value realization.

Recently Iranian Ambassador in India came to Kolkata and had intensive discussion with the Indian tea producers and exporters. ITA had signed a MoU with Iran for 30 mkg exports, which it touched in 2018.

According to ITA, most of the 2019 contracts have almost been shipped and as the season has now closed, there is not much to lose even if there are fresh sanctions imposed.

(Times of India)

Tea Board of India launches corporate credit card for buyers at tea auctions

In order to facilitate smooth remittance of auction proceeds from sale of teas, Tea Board has launched online credit facility to the buyers in the form of “Corporate Credit Card” in partnership with ICICI Bank.

By using this card, the buyers can settle the auction payments within the time limit and avail 45 days free credit period from the bank. This will ease out the liquidity crunch of the auction buyers and facilitate better participation in the auction process. This will ease out the liquidity crunch of the auction buyers, if any and enhance participation in the auction process.

Tea Board conducts auctioning of teas through electronic mode to facilitate sale of tea in a transparent manner. As per the principles of auction, the buyers are mandated to pay the deal amount of auction to the sellers within 13 days from the date of sale (prompt payment), which will further facilitate delivery of teas to the buyers.

Although 99% of the prompt payments are remitted by the buyers within the specified time limit of 13 days, there are few instances where the buyers fail to clear the dues on time or make delayed payments due to various reasons mainly financial shortage.

ICICI Bank is the settlement banker for Tea Board in respect of auction payments. The credit limit of the buyers can be enhanced based on the performance as well as increase in business.

(Economic times of India)



Vietnam's export of tea to Taiwan up

About 14,200 MT of Vietnamese tea, worth over US\$22.5 million, was shipped to Taiwan between January and September, marking a year-on-year increase of 6.1 per cent in volume and 8.3 per cent in value.

Taiwan's tea imports exceeded 24,000 MT worth \$60 million in the nine-month period.

Taiwan mostly purchases green tea from Vietnam and Japan, and Vietnam volume accounting for 84.1 per cent of the total import quantity.



According to Chairman of the Vietnam Tea Association, Vietnam has 125,000 hectares of tea farms, mainly in the Northern Province, and some in the central highlands.

The country consumes 45,000 MT of tea a year and exports 145,000 MT achieving revenue of \$245 million.

(Vietnam News)

Nigeria Tea Market

Nigeria produces tea, although the total amount of its production is not important on the global market. In addition, Nigeria produces other herbs such as hibiscus used in herbal teas. It produces black tea with the CTC method, labeled 'Highland tea'. The total land area planted with tea is 1,200 ha. The average annual national production is over 1,600 MT which meets only 10 percent of domestic need. It is estimated that annual tea consumption of the country is in the region of 16-20 million kg.

The competition and advertising activities helped to drive growth in tea consumption. Through the years, Nigeria has evolved to become a tea drinking country as people have come to realize the health benefits of drinking tea and the different (variations) ways with which tea can be taken. Lipton became Unilever Nigeria's brand in 1985. The tea blend is imported from Kenya and packed into teabags in the factory at the Western part of Nigeria.

It is a known fact and so it will not be wrong to say that the Northern part of Nigeria is the highest tea consuming part of the country. Tea is usually part of their breakfast, lunch and dinner and it is also a beverage to entertain guests. The reason lies with the fact that the northern region of Nigeria is blessed with extreme weather conditions; it is known to be the hottest part of the country.

To prove that the Northerners are great lover of tea; it is a common sight to behold every corner of the streets filled with "mai chai" (tea master) who brew and sell tea per cup especially to meet the need of people who are working on the move and in shops and do not have the time to take a break to boil water and brew their own cup. This culture has travelled down to states like Lagos in the southwest where they are seen plying their trade and has been of tremendous benefit especially during the wet season.

The mai chai usually have various blends of teas to be chosen from by their customers. This can be likened to the tea shops available in various countries where people can take a tea break.

Meanwhile, the South-west part of Nigeria also boasts of tea lovers who would drink tea no matter the weather. Although, unlike their tea drinking counterparts in the North who prefer to drink their tea plain or with sugar or honey, the South-west will usually drink with a lot of creamed milk and sugar just the way the British (whites) drink theirs.



In fact, it is common to find most families drinking tea in that manner with snacks like bread as breakfast or dinner. However, due to health awareness these days, Nigerians have realized the need to reduce calorie intake and hence consume tea with honey or just a little bit of milk and sugar.

Other parts of the countries are gradually embracing the act of tea drinking especially the green tea due to its increasing health benefits. The availability of various blends of tea and flavours aside the traditional black tea has also ignited the passion of Nigerians to tea.

Nigeria is a huge market with 200 million populations and is expected to go up to 300 million by 2030 and 400 million by 2050 according to UN data.

According to available information Kenya has exported 5,127 MT of black tea to Nigeria in 2018 while China has exported over 500 MT of green tea. The international tea committee has quoted 9,000 MT as the annual tea import volume of Nigeria for 2018 but the market research organizations put the total tea market volume at around 20,000 MT per year. The per capita consumption of tea is still low in Nigeria but there is a huge potential for growth.

(Sun - News)

UK Still a tea drinking nation

The UK Tea and Infusions Association says that, UK is not a coffee drinking nation though the consumer interest has gone up in the recent past. British drinks approximately 100 million cups of tea daily compared to 70 million cups of coffee. However, the recent reports indicate that, tea community has transformed in to a dynamic one with specialty tea playing a huge role. Tea being utilized outside of a hot beverage and most important consumers are building direct relationship with brands that have strong values and unique modern product ranges.

The traditional tea drinkers associate tea with a "builders brew" while modern consumers see tea as a sensory experienced with much more diversity. Health and wellness is identified as the overriding trend driving sales and 80% of the brands identified it as a growth area for them. Brands are increasingly recognizing the functional and taste benefits of tea and incorporate them in their offerings.



(National Tea Day - UK)

Kenya increases orthodox Tea production

Kenya's prized black tea isn't fetching the prices it once did, forcing the top supplier of the world's most popular drink to try something new.

Certain tea factories are experimenting with a range of boutique teas, deviating from decades of tradition in the quest for new customers and a buffer against unstable prices.

Between conveyor belts huge rollers gently and slowly massage green leaves under the watchful eye of workers, all freshly trained in the art of what is known as orthodox tea production.



It has been costly shifting into orthodox, and a cultural change for workers and farmers, but the risk was necessary says producers. The prices for stalwart CTC at auction nosedived 21 percent in 2018-2019 compared to the prior financial year, underscoring the urgency to diversify and extract more from every tea bush.

"We have relied for so many years on traditional CTC. But the price has dropped. We want to reduce the pressure... but also, to explore this new market," some factory owners have stated.

Meanwhile, Kenya is planning to send its third tea trade mission to Iran next month. In the last four years it has tried to retain the Tehran market despite mounting challenges resulting from US sanctions.

The director general of Agriculture and Food Authority (AFA) said the Kenyan delegation will head to Iran next month to solidify the Asian market amid sanctions that have nearly made trade between Kenya and Iran impossible. The mission comes at a time when there are heightened tensions between Iran and USA raising fears of war breaking out in the region.

Iran remains one of the Kenya's key markets and it pays a premium price for local tea, a move that has seen the country conduct several trade missions in defense of the market.

(AFP News)